Before the
Federal Communication Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms	)	CC Docket No. 98-171
	)	
Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990	)	CC Docket No. 90-571
	)	
Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size	)	CC Docket No. 92-237 NSD File No. L-00-72
	)	
Number Resource Optimization	)	CC Docket No. 99-200
	)	
Telephone Number Portability	)	CC Docket No. 95-116
	)	
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

Comments Of:
Fred Williamson and Associates, Inc. ("FW&A")
On behalf of:

Chouteau Telephone Company, an Oklahoma ILEC
H&B Telephone Communications, Inc., a Kansas ILEC
Moundridge Telephone Company, Inc., a Kansas ILEC
Pine Telephone Company, Inc., an Oklahoma ILEC
Pioneer Telephone Association, Inc., a Kansas ILEC
Totah Telephone Company, Inc., a Kansas and Oklahoma ILEC
Twin Valley Telephone, Inc., a Kansas ILEC
(Collectively, "ILECs")

February 28, 2003

BACKGROUND

The ILECs are small rural LECs operating in Kansas and Oklahoma. The ILECs are both recipients and contributors of federal universal service funds. The stability of the universal service funding is of critical importance to the ILECs. Federal universal service support is necessary and must be sustained for maintenance of affordable rates in the rural, high cost, areas served by the ILECs. Since the ILECs assess their customers for their share of Federal Universal Service contributions, they desire a contribution mechanism that is fair and equitable. All of the ILECs are members of the NECA Common Line and Traffic Sensitive Pools and accordingly charge interstate access rates and Universal Service Charges in accordance with NECA tariffs. In the Second Further Notice of Proposed Rulemaking (FNPRM) the Commission is seeking further comments regarding proposals to modify the basis of Federal Universal Service Fund contribution assessments from the current "revenue-based" approach to a "connection-based" or a "telephone number-based" approach.

SUMMARY OF COMMENTS

The Commission has adopted changes to the revenue-based USF contribution system that will allow the fund to be more sustainable. In the Report and Order, the Commission increased the wireless safe harbor from 15% to 28.5%. This increase should result in higher reported revenues and provide wireless providers with an incentive to report their actual interstate revenues. The Commission could further increase the contribution base and the sustainability of the USF fund by requiring all facilities-based broadband Internet service providers with capabilities to access the public network to contribute to the fund and insure that revenues from phone-to-phone VoIP services are included in the assessment base. While the Commission elected to not address this issue in this proceeding, it should seriously consider this in the *Wireline Broadband Proceeding*. Should the Commission elect to adopt a connection-based methodology in the future, the second option contained in the FNPRM that proposes splitting connection-based contributions between transport (IXCs or toll service providers) and access providers best conforms with the "equitable and nondiscriminatory" requirements contained in the Act. The other "connection-based" proposals contained in the FNPRM produce inequitable results and fail to meet the requirements of the Act. These proposals would inappropriately shift a substantial portion of the USF contributions from IXC or Interstate toll service providers to primarily LEC providers. These proposals result in assessments that don't reflect the levels of Interstate services provisioned by telecommunications carriers. The implementation of capacity-based charges for multi-line services are difficult to determine, could lead to excessive USF assessments on high capacity services and further disadvantage the competitiveness of high capacity LEC services in the marketplace. Depending on the service, an analysis prepared by FW&A shows that capacity-based assessments could be approximately four to ten times higher than the comparable assessment amounts that reflect current revenue/pricing relationships. This would lead to significant pricing distortions for high capacity services, cause competitive harm and deter expansion of high capacity services.

COMMENTS REGARDING REVENUE BASED ASSESSMENT MECHANISM

FW&A's comments, filed previously in this proceeding, supported retention of the revenue-based assessment mechanism. The revenue-based system, considering all of the proposed methods under consideration, still best meets the "equitable and nondiscriminatory" requirements contained in the Act. The primary concern presented in the FNPRM is that a revenue-based system may not be viable in the long-term. There are concerns regarding carriers' abilities to identify interstate versus intrastate revenues and that the revenue-based system may provide false incentives for carriers to curtail usage of interstate networks. The revenue-based system, with the modifications recently adopted by the Commission and the pending expansion to include assessment of all facilities-based Internet service providers, can continue to provide a sustainable basis for USF contributions.

The Changes to the Revenue-Based Assessment Mechanism Recently Adopted by the Commission and Assessment of Facilities-Based Internet Service Providers Will Provide for a More Sustainable USF.

The Commission requests comments, "whether the changes to the revenue-based methodology adopted in the FNPRM are sufficient to ensure the long-term viability of universal service as the telecommunications marketplace evolves." The Commission also requests whether additional changes to the revenue-based system should be made.

The change in the wireless safe harbor from 15% to 28.5% should increase the level of interstate reported revenues for USF assessment purposes and account for the significant amounts of interstate traffic that has shifted and will continue to shift from wireline services to wireless services. Expanding the revenue contribution base further will foster the sustainability of the USF. Of most immediate concern is that all facilities-based broadband Internet service providers that provide capabilities to access the public network, including voice over Internet Protocol (VoIP), should appropriately contribute to USF. Although the Commission is not addressing this issue in the proceeding, it is of critical importance.

In the companion wireline broadband proceeding (CC Docket No. 02-33), the Commission is considering whether to assess all facilities-based Internet service providers for USF contributions. Since the Internet provides access to the public network and is capable of transmission of telephone calls to subscribers on the public network, it is appropriate that all facilities-based providers of broadband Internet services with capabilities to access the public network should be assessed for universal service costs. This should include the assessment of the revenues of providers of interstate long distance services that employ VoIP technology and originate or terminate calls on the public network. This could further increase the USF contribution revenue base and promote competitive equity in the marketplace. Currently, telephone companies that provide DSL services to their customers are required to contribute to the USF while other broadband service providers, including cable modem service providers, are not required to pay an assessment. This treatment is discriminatory and the Commission should correct it by requiring all broadband facilities-based Internet service providers with capabilities to assess the public network to contribute to the USF.

Bundling of Services Doesn't Impose any Significant Problems on a Revenue-Based Assessment Mechanism

The Commission seeks comments regarding whether bundling of local and long distance services raises any unique problems for wireline carriers in identifying interstate telecommunications revenues and how such problems should be addressed. It is not apparent that bundling of services will impose any problems for determination of interstate revenues that cannot be sufficiently addressed. Service bundles typically include services that are separable and offered at discount prices if the customer selects the package of services. In several cases, the billing systems will still maintain separate identification of interstate and intrastate services, especially in cases where such services are regulated. Thus, in these cases, reporting of interstate revenues is not problematic. In cases where the services are not separated, minutes of use (MOU) can be used as a proxy to identify percentages for determining interstate revenues. If a carrier offers bundled interstate and intrastate service packages and the associated revenues are not tracked separately, they should utilize MOUs as a proxy to determine interstate revenues that are billed as part of the bundled package. An Interstate MOU percentage could be applied to total bundled revenues to determine the portion of revenues attributable to Interstate telecommunications services as it now is used in many cases to determine the interstate long distance portion of wireless and IXC services. To the extent that a carrier's service bundle includes both originating and terminating usage and has revenue associated with both types of usage in the service bundle (e.g., mobile services), it is appropriate to include all usage for determination of the Interstate MOU percentage. Usage information should be readily available to most providers, since customer billing for services are usage-based. If usage information is not available from billing systems, carriers could perform special studies to determine the level of interstate usage. The Commission could also make the safe harbor percentages established for wireless carriers applicable to all carriers where the reporting of interstate revenues or usage amounts is problematic.

ASSESSMENT OF CONNECTIONS-BASED PROPOSALS

In the FNPRM, the Commission proposes replacing the revenue-based contribution system with a connection-based contribution mechanism. Supporters of connection-based approaches argue that such mechanisms will better accommodate new services and technologies and will be a more viable alternative in the long-term. However, in spite of this argument, two of the connection-based proposals contained in the FNPRM propose that a portion of the USF contributions be assessed on the basis of Interstate revenues. This lends support that the connection-based assessment approach alone cannot provide for an equitable USF assessment mechanism.

In the FNPRM the Commission seeks comments on assessing contributions based on the number and capacity of connections. The FNPRM contains three connection-based proposals: 1) A minimum contribution obligation on all interstate telecommunications carriers (based on total Interstate revenues), and a flat rate charge for each end user connection (Proposal 1); 2) Assessment of all connections purely based on capacity and share contribution obligations for each switched end-user connection between access and transport providers[1] (Proposal 2); and 3) assessment to access providers of switched connections based on their working telephone numbers (Proposal 3).

It is difficult to analyze the precise impacts of the connection-based proposals. Key information is lacking from the public record, especially regarding demand for high-capacity connections, to accurately assess impacts. FW&A also did not have access to information regarding paging providers. Before the Commission can make a reasoned decision on the impact of capacity-based assessments, it is apparent that additional information is necessary. In spite of missing data to reasonably assess the impact of capacity-based connection assessments, FW&A was able to analyze data to obtain general insight into the impacts of the connection-based proposals contained in the FNPRM. If the Commission desires to convert to connection-based assessments, Proposal 2 that shares contribution obligations between access providers and transport providers is the most equitable of the connection-based proposals. Proposal 1 and potentially

[1] Alternatives to this proposal exist that propose to continue to assess IXCs on the basis of Interstate revenues or at a minimum assess non-presubscribed IXCs on the basis of Interstate revenues.

Proposal 3 would significantly reduce or totally exempt interstate interexchange services from funding responsibility and would alleviate IXCs that provide interstate services from a significant portion or possibly all of their funding obligations. Additionally, without utilizing revenues in conjunction with a connection-based proposal, "dial-around" toll providers and possibly VoIP toll providers would be exempt from USF contributions. Also, utilization of telephone numbers would not be workable for assessing providers of high capacity Internet services. Proposal 1 and potentially Proposal 3 do not meet the Act's requirement that interstate service providers contribute on an equitable and nondiscriminatory basis. Moreover, assessments based on the capacity of connections may impose substantial fees on high-capacity customers and result in adverse consequences on customers and the expansion of high-capacity services.

Analysis of Connection-Based Proposal 1 – Minimum Contribution Obligation and a Per Connection Assessment

Under Proposal 1, the Commission proposes to initially assess single line and mobile wireless customers \$1.00 per month for each connection. One way and two-way pagers would be assessed at \$0.10 and \$0.20 per month, respectively. Multi-line connections would be assessed at varying amounts depending on the levels of capacity and would cover residual funding requirements. As part of Proposal 1, the FNPRM also seeks comment on the implementation of a mandatory minimum contribution obligation that would require a minimum contribution amount based on a percentage of total interstate revenues, including access revenues. This minimum contribution obligation would be offset by any connection-based assessment that a carrier pays.

To evaluate the impacts of the Commission's connection-based proposal, FW&A first determined the approximate current percentage contributions from the IXC, LEC and Mobile segments. Based on USAC funding data for the first quarter 2003, the total funding base is approximately $18.7B. In the previous FNPRM, the Commission provided data that showed that the funding base was distributed between the industry segments as follows: IXCs - 63%, LECs – 23%, and Mobile providers – 14%. The wireless safe harbor percentage will likely increase the revenues reported by wireless providers. FW&A estimates that the total funding base may increase to approximately $20.0B and that the funding base may be distributed between the industry segments as follows: IXCs - 59%, LECs – 22%, and Mobile providers – 19%.[2] Thus, although the wireless safe harbor change results in wireless carriers paying a greater portion of the USF amounts, IXCs, that provision the largest share of Interstate services, will still pay the major portion of the USF contributions.

Under Proposal 1, the IXCs would be substantially relieved from this significant funding obligation. The IXCs will likely only be required to pay the minimum contribution obligation that the Commission has initially proposed to be set at one percent of total interstate revenues including access services. Assuming, as stated in the FNPRM, that the connection-based assessment would be initially set at $1.00 for residence, single line business, wireless connections and multi-line

[2] For increasing the portion of revenues attributable to wireless service providers, FW&A assumed that these providers would report approximately 21.3% of their revenues as Intestate services. This represents the average of the old safe harbor percentage (15%) and the new safe harbor percentage (28.5%).

connections would fund the remaining connection-based assessment [3], substantial shifts in contribution requirements occur. FW&A estimates that IXC services would only be required to pay 8% of the contributions, while LEC and wireless service contributions would increase to approximately 68% and 24%, respectively. Under Proposal 1, providers of IXCs would typically only contribute the minimum contribution obligation. This amount is set substantially below the current contribution levels. Attachment 1 shows the development of these contribution percentages for Proposal 1. In essence, the connection-based approach would shift assessments from interstate toll services and users of those services, primarily provided by IXCs, to the LECs' local exchange customers regardless of the levels of interstate services that they utilize. Consequently, the connection-based approach in Proposal 1 does not comply with the Act's requirements that interstate service providers contribute on an equitable and nondiscriminatory basis.[4]

The Commission also seeks comment on the operation of the minimum contribution requirement. The FNPRM seeks to determine whether 1 percent of interstate telecommunications revenues is a reasonable amount or some other

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[3] FW&A's analysis estimates that in the aggregate, multi-line connections would need to be set at least 3 times higher on average than single line assessments to satisfy the current funding requirement.

[4] The FNPRM requested comments regarding impacts on the average residential customer's bill. If the connection-based assessment for residential customers was set at $1.00, it does not appear that the typical residential customer would experience significant impacts. FW&A estimates, based on FCC Industry Analysis Division data, that the average residential customer's bill for Interstate services is $15.00 per month ($6.00 SLC and $9.00 Toll). Under the revenue-based assessment mechanism, a 7.2% contribution level would result in the average customer being assessed $1.09. This does not vary significantly from the $1.00 assessment proposed in the FNPRM. However, this amount would likely be somewhat higher due to pass-through of IXC assessments. Nevertheless, average differences would be insignificant. The impact, if the residential customer places no Interstate toll calls is more substantial. In this case, the assessment would approximately double and increase from $0.44 to $1.00 per month. Customers that place a

percentage should form the basis of the minimum contribution requirement. Overall, the minimum contribution requirement would primary affect contribution levels from IXCs. A 1 (one) percent contribution is not equitable and the minimum contribution requirement should be increased. For an equitable mechanism, the minimum contribution requirement should be brought closer to the current contribution percentage, approximately 7% of Interstate end user revenues.[5] This would increase the level of contributions by IXCs to an amount that more appropriately reflects the level of interstate services that IXCs provide and produce a more equitable assessment of USF contributions. There does not appear to be a compelling reason to include access revenues in the revenue base for the minimum contribution requirement, as proposed in the FNPRM, since under this proposal the majority of access providers would likely be assessed on the basis of connections. Moreover, the inclusion of access revenues could potentially result in double counting and assessment.

Analysis of Assessing Multi-line Business and Other Connections on Capacity

As discussed above, sufficient information is not available to evaluate the impact of capacity-based connections. Total nationwide demand quantities for the various types of high capacity circuits is necessary to properly evaluate the impact

substantial amount of Interstate toll calls would likely experience significant reductions in USF assessments contained on their bills.

[5] The FNPRM also requested comments on using a tiered approach for the minimum contribution obligation. It is not reasonable to assess the minimum contribution obligation on the basis of revenue-based tiers, whereby contributors would be assessed at increasing percentages of telecommunications revenues, or increasing flat-fee amounts tied to their level of interstate telecommunications revenues. This approach in many cases would automatically result in service providers having to contribute higher or

of capacity based assessments.   However, it is apparent that, capacity-based connections could be a significant deterrent to the expansion of high capacity services, if imposed at high contribution rates. Further, until the Commission resolves whether all facilities-based broadband services will potentially be assessed for USF contributions, it is not reasonable to assess high capacity Internet services provided by telephone companies and exempt other providers of Internet Broadband services from assessments. Assessment of telephone companies' broadband Internet services at higher rates than they are currently would make an already unfair competitive situation worse.

The Commission proposes assessing multi-line business connections based on capacity of those connections. The FNPRM proposes four tiers with corresponding assessment amounts based on capacity of the connections. These are shown in the table below.[6]

lower levels of contributions than other service providers and thus guarantees and inequitable contribution mechanism.

[6] These amounts assume a residual funding requirement of $4 billion and 1 billion units of multilane business capacity. (See FNPRM para. 52)

Proposed Commission High-Capacity Assessment Levels

Tier and Description	Assessment x Tier 1 Rate
Tier 1 – Up to 725 Kbps	1
Tier 2- 726 Kbps – 5 Mbps	16
Tier 3 – 5.01Mbps-90Mbps	224
Tier 4 – Greater than 90 Mbps	336

It appears that capacity-based assessments proposed in the FNPRM would result in significant amounts per line, especially for higher capacity circuits. Several ILECs are currently deploying DSL services. The ILECs are utilizing DSL technology to provide high-speed Internet access and other broadband services over their networks. If a consistent approach is followed and the multi-line business approach proposed by the Commission is expanded to DSL connections, adverse impacts may result. DSL technology enables connections with capacity that could easily fall within the Tier 2 classification. The NECA tariff rate for DSL connections is approximately $30.00. If the connection capacity fell within Tier 2, the assessment could easily be equivalent to more than 50 percent of the total tariff rate per connection. Under the current revenue-based system, providers are assessed an equivalent amount of approximately $2.00 per DSL connection (approximately 7% of revenue). The significant additive potentially imposed by the proposed capacity-based assessment, if passed on to subscribers, could be a major deterrent to customers subscribing to advanced high capacity DSL services. Such a high assessment is also extremely unfair considering that other broadband Internet service providers are not assessed for USF contributions. The capacity-based mechanism could significantly disadvantage the competitiveness of Telephone Companies' DSL service offerings in the marketplace.

The FNPRM seeks comment on whether the proposed factors for capacity-based assessments approximately reflect the market pricing of various typical services such as T1, DS-3, and OC-3. Based on an analysis prepared by FW&A, the assessment level for high capacity circuits proposed in the FNPRM do not reflect the pricing of high capacity services. Attachment 2 provides a comparison of the rates, contained in the NECA Access Tariff for high capacity circuits (DS1, DS3, OC3, and OC12) with the comparable rates for a voice-grade circuit. To analyze pricing relationships, FW&A developed a factor by dividing the NECA Tariff rates for high capacity circuits and dividing them by the comparable rate for a voice grade circuit. The table below shows a comparison of the assessment amount proposed in the FNPRM with an assessment amount based on the pricing relationships.

Comparison of FPRM Proposed High Capacity Assessments With

Assessments Based on the Prices of High Capacity Services

Circuit Capacity	FNPRM Proposed Assessment	Assessment Based on NECA Rates
Voice Grade	1	1
DS1 – 1.54 Mbps (Tier 2)	16	4
DS3- 44.74 Mbps (Tier 3)	224	37
OC3 – 155.52 Mbps (Tier 4)	336	27
OC12- 622.08 Mbps (Tier 4)	336	64

The Table demonstrates that the assessments proposed in the FNPRM for high capacity circuits are substantially higher than the assessments that reflect the prices charged for high capacity services. The proposed assessment amounts, in all cases, are substantially inflated. Depending on the service, they are four to ten times higher than the comparable assessment amounts that reflect pricing relationships. The proposed assessment rates are inequitable and would result in excessive assessments on high capacity services. This would inhibit the expansion of high capacity services by over-inflating associated charges and lead to distortions in the marketplace. Excessive assessments on high capacity services would make prices of these services less competitive and deter full and fair competition. Additionally, further expansion of high-capacity services may be stifled. The Commission should lower the proposed connection-based assessments to levels that are more indicative of the pricing relationships shown in the above Table.

Analyses of Connection-Based Proposal 2 – Contributions are Shared Between Switched Transport and Access Providers

Proposal 2 in the FNPRM would split connection-based contribution assessments between switched access and interstate transport providers. The assessment to transport providers would be based on connections for both switched and non-switched connections. Assessment to presubscribed IXCs or access providers that are also IXCs would also be connection-based. Assessments for Interstate services not tied to connections (e.g., dial-around service providers) would be based on revenues. Two units per connection would be assessed – one for access and one for transport. Thus, if a LEC or wireless carrier provides both local and interexchange services, they would be assessed two connections. Assessments would not distinguish between residential and business connections, but rather would be based purely on capacity.

While the FNPRM proposes that the connection for assessment purposes in capacity-based, as mentioned previously, FW&A does not have sufficient information to evaluate the impacts of capacity-based assessments. FW&A analyzed Proposal 2 assuming that IXC connections are equivalent to the total LEC and Mobile end user connections. Additionally, FW&A assumed that the assessment for multi-line connections would be the same rate as single line connections. Under these assumptions, the approximate assessment per connection is $0.81 per month. The analysis is shown in Attachment 3. If two connections were assessed to each end user customer, the approximate assessment amount would be $1.62 per month. Currently, FW&A estimates that the average residential end-user pays approximately $1.09 per line/month. Thus, under Proposal 2 it is likely that the average residential customer would pay a somewhat higher USF contribution amount. However, if the Commission would determine that higher rates should be assessed for multi-line connections, the residential per connection assessment under Proposal 2 would be reduced. The shared-connection approach contained in Proposal 2 provides a much more equitable distribution of USF contribution obligations than Proposal 1. FW&A estimates that the USF contributions under Proposal 2 would be dispersed among the industry segments as follows: IXC's – 50%, LECs – 30%, and Mobile – 20%. While these percentages differ from the current distribution percentages, the differences are not dramatic. Estimates of the current revenue-based percentages are: IXC's – 59%, LECs – 22%, and Mobile – 19%. Thus, while IXC assessments go down somewhat, IXCs providing interstate services are responsible for a significant portion of the contributions. LECs' contribution requirements increase, while Mobile contributions stay approximately the same. Should the Commission decide to adopt a connection-based proposal, Proposal 2 provides the most equitable distribution of support and best meets the Act's requirement that all service providers contribute in an equitable and nondiscriminatory manner.

The FNPRM also seeks comments on alternative approaches under this proposal. The Commission proposes two alternative approaches. The first would assess access providers on the basis of the number and capacity of connections and wire line-switched transport providers would be assessed on the basis of end-user revenues. A second alternative was proposed in which the access providers would be assessed for two connection charges when they provide both the access and transport elements. Transport providers that do not provide the access element would continue to be assessed based on revenues.

Of the two alternative options, the first option where access providers are assessed on the basis of connections and transport providers are assessed based on revenues appears to be the most equitable. Under this approach, again assuming high capacity connections are not assessed a higher rate than single line assessments, FW&A estimates that an equivalent revenue assessment percentage attributable to all interstate transport or toll service providers would be approximately 6.5 percent. Thus, all interstate toll providers would be assessed in an equivalent manner – 6.5 percent of interstate revenues. Under the second alternative, inequities could result. This would be caused by access providers that are also toll providers being capped at the connection-based assessment amount while other interstate toll providers' assessments would not be capped. For instance, assuming the toll provider had a customer that placed $100.00 in toll calls per month, the assessment, if the toll provider were also the access provider, would be connection-based and be approximately $0.81. On the other hand, if the toll provider were not the access provider, they would pay a substantially higher assessment of approximately $6.50 ($100.00 x 6.5%) for a customer generating an equivalent volume of toll revenue. This would create competitive inequities in the marketplace, especially in cases where a particular toll provider serves a substantial number of customers with high toll usage. While the impact is not nearly as dramatic, this proposal could also disadvantage access providers that are also toll providers, in cases where customers do not place toll calls. In these cases, the access/toll provider would still be assessed approximately $0.81per connection, while the toll provider that is not the access provider would not be assessed. It is apparent that for Proposal 2 to function in an equitable manner all transport or toll service providers (including both presubscribed and non-presubscribed carriers) should be assessed using a revenue-based mechanism.

Analysis of Connection-Based Proposal 3 – Telephone Number Based Assessments

The FNPRM seeks comment on the benefits and drawbacks of proposals to assess connections on the basis of telephone numbers. This proposal would assess providers on the basis of telephone numbers assigned to end-users while assessing special access and private lines that do not have assigned numbers on the basis of the capacity of those end-user connections. Apparently, this proposal would not vary dramatically from other connection-based proposals, other than phone numbers would be used as the basis for identifying connections. Thus, to this extent, this approach would suffer from all of the problems identified for other connection-based proposals discussed above and would potentially fail to comply with the Act's requirements that interstate service providers contribute on an equitable and nondiscriminatory basis. FW&A does not have sufficient information to evaluate whether the use of telephone numbers would be a reasonable approach for determining connection-based assessments. However, if phone numbers were used as the basis for determining connections, FW&A would not expect that impacts would differ dramatically from the connection-based proposals discussed above.

CONCLUSION

The changes adopted by the Commission related to the wireless safe harbor percentages for the revenue-based USF contribution system should allow the fund to be more sustainable. The Commission could further increase the contribution base and the sustainability of the USF fund by requiring all facilities-based broadband Internet service providers with connectivity to the public network to contribute to the fund. The current revenue-based system provides for the most equitable mechanism for USF contribution assessments. Should the Commission elect to adopt a connection-based methodology in the future, the second option contained in the FNPRM that proposes splitting connection-based contributions between transport (IXCs or toll service providers) and access providers best conforms with the "equitable and nondiscriminatory" requirements contained in the Act. The other "connection-based" proposals contained in the FNPRM inappropriately shift a substantial portion of the USF contributions from IXC or Interstate toll service providers to primarily ILEC providers. These proposals produce inequitable results and fail to meet the requirements of the Act by failing to reasonably depict the relative levels of Interstate services provisioned by telecommunications carriers. The implementation of the FNPRM proposed capacity-based charges for multi-line and high capacity services could lead to excessive USF assessments on high capacity services and should be reduced to reflect levels that more closely align with the relative prices/revenues associated with these services.

Respectfully submitted on behalf of the ILECs by,

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